

N R AGARWAL INDUSTRIES LIMITED

19th Annual Report 2011-12



“

OPPORTUNITY EXIST... ALWAYS

Changes in the market conditions across the world have forced a change in outlook. But opportunities still exist and we are confident of capitalizing on them.

”

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Shri R N Agarwal (left)
Managing Director & CEO

Shri Raunak Agarwal (right)
Whole-Time Director

“

*Following
the
Footprints*

”



Founder Chairman
Late Shri N R Agarwal



“

CHALLENGES, CHANCES, CHANGES

“Driven by challenges, nurtured by chances, transformed by changes”

”

MESSAGE FROM CHAIRMAN

Dear Shareholders,

Challenges are the lifeblood of business. They inspire you to think smarter, work more effectively, perform better and strive for more. And the more compelling the challenges, the greater opportunities they open up for you. We can safely say that the last year was a cataclysmic year with unparalleled wealth destruction throughout the world. We are humbled by the knowledge that while we did not or could not anticipate the world changing events of the past year, we were able to respond swiftly to ensure the organisation and all that are associated with it were sheltered from the worst of it.

*“Bad times
do not last.
Good
strategies do.”*

The Current environment presents a host of challenges. At a time when input costs remain high and price vitality brings added challenges, we will continue to focus on the best value for our consumers and customers through innovations and strong cost efficiency programs.

While most of this is explained in depth in the preceding pages of MDA Report, I thought it is important to pen some words on what we believe will allow us to respond both to a downturn as well as the expected return to growth. In last two years, several new Duplex Boards manufacturing units have been set up all over the country. Competitive pressure will be on the rise as newer entrants seek a slice of India's long term growth potential. None of these challenges are new; they have stayed with us in some form through the last year.

At some level, NRAIL is stronger for having experienced the uncertainty and tumult of that period. These events ensured we continue to focus on the fundamentals and understand and swiftly act upon the velocity of the problems as they arise. As it is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.

There is a rising customer expectation. Those Mills who can offer quality product at competitive price combined with faster delivery and better service to clients, will overcome the problem of excess capacity. Now looking at the opportunities, India is a growing market, industry is likely to double its capacity by the end of this decade. We are a country of 1.2 billion people so every increase of 1kg in per capita consumption would mean a demand of 1.2 million tons per year coming up. We think we have the only way to go and that is upwards.

I immensely value the faith that you have reposed in NRAIL and would like to thank you for your continued support.

R N Agarwal

Chairman, Managing Director & CEO

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*Commitment
Continuous...*
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NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the members of N R AGARWAL INDUSTRIES LIMITED, will be held at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D N Road, Opp. Indian Oil Nagar on Link Road, Andheri West, Mumbai – 400 053 on Thursday, August 23, 2012 at 11.30 a.m. to transact the following businesses;

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Shri. S N Chaturvedi, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. Appointment of Shri Mangilal Suthar as a Director:

To appoint Director in place of Shri Mangilal Suthar, who was appointed as an Additional Director by the Board of Directors with effect from November 11, 2011 and who holds office upto the date of the ensuing Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director.

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including statutory modification or re-enactment thereof, for the time being in force and as approved by the Remuneration Committee, the Company in General Meeting hereby approves the appointment of Shri Mangilal Suthar, as an Executive Director of the Company for a period of five years with effect from November 11, 2011 upon the terms and conditions including the terms as to remuneration set out in the Agreement dated November 30, 2011 (the “Agreement”), and approved by the remuneration committee which Agreement placed before this Meeting be and is hereby specifically sanctioned with liberty to the Board of Directors of the Company (the “Board”) to alter, vary and modify the terms and conditions of the said appointment and the Agreement in such manner as may be agreed to between the Board and Shri Mangilal Suthar.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during Shri Mangilal Suthar’s term of office as an Executive Director the remuneration payable to him shall be as per the minimum remuneration prescribed in Schedule XIII of the Act and that he shall be entitled to all other benefits and perquisites as set out in the Explanatory Statement as the minimum remuneration.

“RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as the ‘Board’ which term shall include any Committee of the Board) be and is hereby authorised to vary any of the terms of remuneration in consultation with Executive Director provided such variation is in accordance with the provisions in part II of Schedule XIII of the Companies Act, 1956 and/or the provisions of law as may be applicable thereto from time to time.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution.”

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT in supersession of the earlier resolution passed in this regard the consent of the Company be and is hereby accorded under Section 293(1)(d) of the Companies Act, 1956, to the Board of Directors of the Company for borrowing from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount upto which moneys may be borrowed by the Board of Directors shall not, at any time, exceed the sum of ₹ 1000 Crores (Rupees One Thousand Crores Only) at any point of time exclusive of interest.”

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT in supersession of the earlier resolution passed in this regard and pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) consent of the

Company, be and is hereby accorded to the Board of Directors of the Company to sale, lease, hypothecate, mortgage and/or charge, in addition to the mortgages and/or charges created/ to be created by the Company, in such form and manner from time to time; and within such ranking as to the priority and for such time and on such terms as the Board may determine, all or any of the movable and/or immovable, tangible and/or intangible properties of the Company both present and future and/or whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of the default, in favour of the lender(s), for securing the borrowing of the Company availed/to be availed by way of loans and securities (comprising fully/partly convertible debentures and/ or non convertible debentures with and/or without detachable warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments issued or to be issued by the Company, external commercial borrowing etc. availed/ to be availed by the Company from time to time, subject to the limit of ₹ 1000 Crores (Rupees One Thousand Crores Only) as approved under Section 293(1)(d) of the Companies Act, 1956 (including any revisions made by the Members from time to time), together with the interest at the agreed respective rated, additional interest, compound interest in case of default, accumulated interest, liquidate damages, commitment charges, premium on pre-payment, remuneration of agent(s)/ trustee(s), premium (if any) on redemption and all other costs, charges and expenses, including any increase as a result of devaluation/revaluation/fluctuation in the rate of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreement(s), debenture trust deed or any other document entered into/to be entered into between the Company and the lenders/agent(s)/trustee(s), in respect of the said loans/borrowings/debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the lender(s).

RESOLVED FURTHER THAT for giving effect to this resolution, the Board or any Committee thereof be and is authorized to negotiate, deal with, finalize terms and conditions, settle with banks, lenders and to execute and to enter into all such documents, deeds, writings, papers, guarantees, bonds, agreements and such other deeds and documents as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgage/charges as aforesaid."

NOTES:

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business at Item No.5, 6, 7 and 8 above is annexed hereto. The relevant details of directors seeking appointment/re-appointment under Item No.3 & 5 above as required by Clause 49 of Listing Agreements entered into with the Stock Exchanges are also annexed.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.** Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from Friday, August 17, 2012 to Thursday, August 23, 2012 (both days inclusive).
4. Dividend if declared, will be paid on or after August 23, 2012 to those members, whose names are on the Company's Register of Members on August 23, 2012. In respect of Equity Shares held in electronic form, the dividend will be payable to the beneficial owners as at the end of business hours on Thursday, August 16, 2012, as per details furnished by the Depositories for this purpose.
5. **Shareholders holding shares in physical form are requested to get their shares dematerialized.**
6. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank.
7. Members are requested to avail the facility of remittance of dividend through the National Electronic Clearing System (NECS). The NECS facility is available at locations identified by Reserve Bank of India from time to time. Members holding shares in physical form and desirous of availing this facility are requested to immediately write to the Company's Registrars and Transfer Agents with changes in their bank account/ accounts numbers, if any, alongwith a photocopy of a blank cheque pertaining to the concerned account **particulars or bank mandates**. Such changes are to be advised only to the Depository Participant of the Members.
8. As per the provisions of the Companies Act, 1956, facility for making nominations is available to the shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Registrars of the Company.

9. Members holding shares in physical form are requested to advise any change of address immediately to the Company's Share Registrar and Transfer Agents. Members holding shares in electronic form must send the advice about change in address to their respective Depository Participant only and not to the Company or the Company's Share Registrar and Transfer Agents.
10. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and no payments shall be made in respect of any such claims by the IEPF.

Members who have not yet encashed their dividend warrant(s) from the financial year ended March 31, 2005, onwards are requested to make their claims to the Company accordingly, without any delay.
11. To support the 'Green Initiative' in the Corporate Governance taken by the Ministry of Corporate Affairs, to contribute towards greener environment and to receive all documents, notices, including Annual Reports and other communications of the Company, investors should register their e-mail addresses with Company's Share Registrar and Transfer Agents, if shares are held in physical mode or with their DP, if the holding is in electronic mode.
12. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

By order of the Board of Directors

HEMALI SHETH
Company Secretary

Registered Office:

415-418, Janki Centre, 4th Floor,
29, Shah Industrial Estate,
Off Veera Desai Road,
Andheri (West),
Mumbai – 400 053.

Dated: May 25, 2012

ANNEXURE TO NOTICE

Explanatory statement under Section 173(2) of the Companies Act, 1956.

Item no.5

Shri Mangilal Suthar was appointed as an Additional Director of the Company by the Board of Directors effective from November 11, 2011. By virtue of Section 260 of the Companies Act, 1956, Shri Mangilal Suthar will hold office upto the date of this Annual General Meeting and is eligible for appointment. The Company has received a notice under Section 257 of the Companies Act, 1956, alongwith requisite deposit from a member of the Company proposing his candidature for the office of Director.

The Board commends your approval to the said appointment.

Shri Mangilal Suthar is concerned or interested in the said resolution at item no.5 of the accompanying notice as it relates to him.

Item No.6

The Board of Directors of the Company at its meeting held on November 11, 2011 had appointed Shri Mangilal Suthar as an Executive Director of the Company for a period of five years with effect from November 11, 2011 on the terms and conditions including the terms as to remuneration approved by the remuneration committee.

The terms of his appointment as an Executive Director are as under:

- a) **Salary:** ₹ 80,000 per month with the power to the Board of Directors to increase from time to time upto ₹ 130,000.
- b) **Perquisites:** In addition to the aforesaid salary the Executive Director shall be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above:
 - i) Contribution to Provident Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
 - ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - iii) Earned privilege leave at the rate of one month's leave for every eleven months of service. The Executive Director shall be entitled to encash leave at the end of every year during his tenure as an Executive Director.

Where in any financial year during the currency of the tenure of the Executive Director, the Company has made no profits or its profits are inadequate, the Company shall pay to the Executive Director, the above salary and perquisites not exceeding the ceiling limits prescribed in Schedule XIII of the Companies Act, 1956, as minimum remuneration.

The Board commends the approval by the members for the appointment of Executive Director and payment of remuneration to him.

Shri Mangilal Suthar is concerned or interested in the said resolution at item no.6 of the accompanying notice as it relates to him.

A copy of the Agreement dated November 30, 2011 for the appointment of Shri Mangilal Suthar as an Executive Director of the Company is open for inspection by the members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

Item No.7

The members of the Company at the Annual General Meeting held on December 26, 2006, had authorised the Board of Directors of the Company to borrow monies upto ₹ 500 crores. To meet its financial requirements, the Board may be required to borrow monies which may exceed the limit of ₹ 500 crores as approved by the members. Under Section 293(1)(d) of the Companies Act, 1956, approval of the members is required for the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) if such borrowing exceed the aggregate of the paid up share capital of the Company and its free reserves. Approval of the members is therefore sought for borrowing monies in excess of the paid up share capital and free reserves, upto ₹ 1000 crores (Rupees One Thousand Crores Only).

An ordinary resolution under Section 293(1)(d) of the Companies Act, 1956, is therefore proposed for approval by the members.

The Board commends your approval of the said resolution as set out in item no.7 of the Notice.

None of the Directors of the Company is interested or concerned in the said resolution.

Item No.8

The Borrowings by a Company, in general, is required to be secured by mortgage or charge on all or any of the movable or immovable properties of the Company in such form, manner and ranking as

may be determined by the Board of Directors of the Company from time to time, in consultation with the lender.

The mortgage and/or charge on any of the movable/immovable properties and/or the whole or any part of the undertaking of the Company, to secure borrowing of the Company or any of its holding, subsidiary, affiliated or associate Company, with a power to the charge holders to take over the management of the Business and concern of the Company in certain events of default, may be regarded as disposal of the Company's undertaking within the meaning of section 293(1)(a) of the Companies Act, 1956. Hence it is necessary for the Members to pass resolution under the said section.

The Members of the Company at the Annual General Meeting held on December 26, 2006 approved increase of the Borrowing limit under section 293(1)(d) of the Companies Act, 1956, upto ₹ 500 crores.

For increase of the limit for creation of charge of securities u/s 293(1)(a) of the Companies Act, 1956, in line with the limit u/s 293(1)(d) i.e. upto ₹ 1000 crores, the Company is required to pass the necessary resolution as set out in item no.8 of the Notice.

The Board commends your approval of the said resolution as set out in item no.8 of the Notice.

None of the Directors of the Company is interested or concerned in the said resolution.

By order of the Board of Directors

HEMALI SHETH
Company Secretary

Registered Office:

415-418, Janki Centre, 4th Floor,
29, Shah Industrial Estate,
Off Veera Desai Road,
Andheri (West),
Mumbai – 400 053.

Dated: May 25, 2012